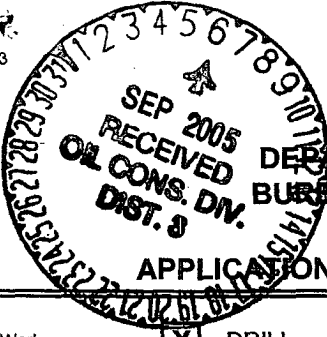


COPY



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1a. Type of Work DRILL REENTER

1b. Type of Well Oil Well Gas Well Other Single Zone Multiple Zone

2. Name of Operator **Black Hills Gas Resources, Inc.** E-mail: lbenally@bhep.com
Contact: Lynn Benally

3a. Address 350 Indiana Street, Suite 400 Golden CO 80401
3b. Phone No. (include area code) 505.634.1111

4. Location of Well (Report location clearly and in accordance with any State Requirements.)
At surface 745' FSL 2,190' FEL SW 1/4 SE 1/4
Lat: 36° 41' 28.2" Long: 107° 03' 54.0"

14. Distance in miles and direction from nearest town or post office. *
Well is located approximately 57 miles east of Bloomfield, New Mexico.

15. Distance from proposed location to nearest property of lease line, ft. (Also nearest Drig, unit line, if any) Unit= n/a Lease= ±3,090'
16. No. of acres in lease 10,240.0

18. Distance from proposed location to nearest well, drilling, completed or applied for, on this lease, ft. ± 2,600' Jicarilla 29-02-28 31
19. Proposed depth 4,000' TVD
20. BLM/BIA Bond No. on file NMB000230

21. Elevations (Show whether DF, KDB, RT, GL, etc.) 7,141' GR
22. Approximate date work will start * May 19, 2005
23. Estimated duration 45-60 days drlg + completion

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- 1. Well plat certified by a registered surveyor.
- 2. A Drilling Plan.
- 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
- 5. Operator certification.
- 6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature *Kathy L. Schneebeck* Name (Printed/Typed) Kathy L. Schneebeck, 303.820.4480 Date April 14, 2005
Title Agent for Black Hills Gas Resources, Inc.

Approved by (Signature) *Wayne Townsend* Name (Printed/Typed) Wayne Townsend Date 8/31/05
Title Acting AFM Office FPO

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

This action is subject to technical and
procedural review pursuant to 43 CFR 3165.3
and appeal pursuant to 43 CFR 3165.4

NMCCD

2005 SEP 15
RECEIVED
ON 11
10 03

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1301 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87605

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87605

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code		*Pool Name	
		72400		E. Blanco / Pictured Cliffs	
*Property Code		*Property Name			*Well Number
2424552		JICARILLA 29-02-29			43
*OGRID No.		*Operator Name			*Elevation
013925		BLACK HILLS GAS RESOURCES			7141'

¹⁰ Surface Location

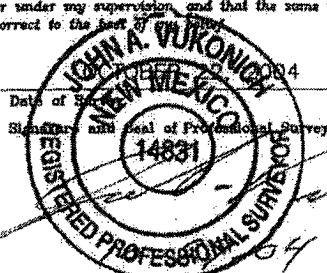
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	29	29-N	2-W		745	SOUTH	2190	EAST	RIO ARRIBA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
160 acres - SE/4			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	2005 APR 15 AM 10:03 RECEIVED GTO FARMINGTON NM	FD. MARKED STONE W/ P&C "LS 8894"	17	OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>	
				Signature <u>Kathy L. Schneebeck</u> Printed Name Kathy L. Schneebeck Title Permit Agent for Black Hills Date April 14, 2005	
FD. P&C "LS 8894"	LAT. 36°41'28.2"N (NAD 83) LONG. 107°03'54.0"W (NAD 83)	745'	2190'	18	SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>
				Date of Survey Signature and Seal of Professional Surveyor:  Certificate Number 14831	

District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Avenue, Artesia, NM 88210
 District III
 1000 Rio Brazos Road, Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy Minerals and Natural Resources

Form C-144
 June 1, 2004

Oil Conservation Division
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
 For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes No

Type of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

Operator: Black Hills Gas Resources, Inc. Telephone: *720-210-1300 e-mail address: lbenally@bhgp.com
 Address: 300 Indiana St, Suite 400, Golden, CO 80401
 Facility or well name: Jicarilla 29-02-29 43 API #: Pending U/L or Qtr/Qtr SW SE Sec 29 T 29N R 2W
 County: Rio Arriba Latitude 36° 41' 28.2" Longitude 107° 03' 54.0" NAD: 1927 1983 Surface Owner Federal State Private Indian

Pit	Below-grade tank	
Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input type="checkbox"/> Unlined <input checked="" type="checkbox"/> Liner type: Synthetic <input type="checkbox"/> Thickness <u> </u> mil Clay <input checked="" type="checkbox"/> Pit Volume <u>±17,811</u> bbl	Volume: <u> </u> bbl Type of fluid: <u> </u> Construction material: <u> </u> Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. <u> </u>	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet	(20 points)
	50 feet or more, but less than 100 feet	(10 points)
	100 feet or more	(0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)
	No	(0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	1000 feet or more	(0 points)
Ranking Score (Total Points)		0 points

this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite offsite If offsite, name of facility . (3) Attach a general description of remedial action taken including mediation start date and end date. (4) Groundwater encountered: No Yes If yes, show depth below ground surface ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:
 * Local contact in New Mexico is Lynn Benally at 505-634-1111 Ext. 27

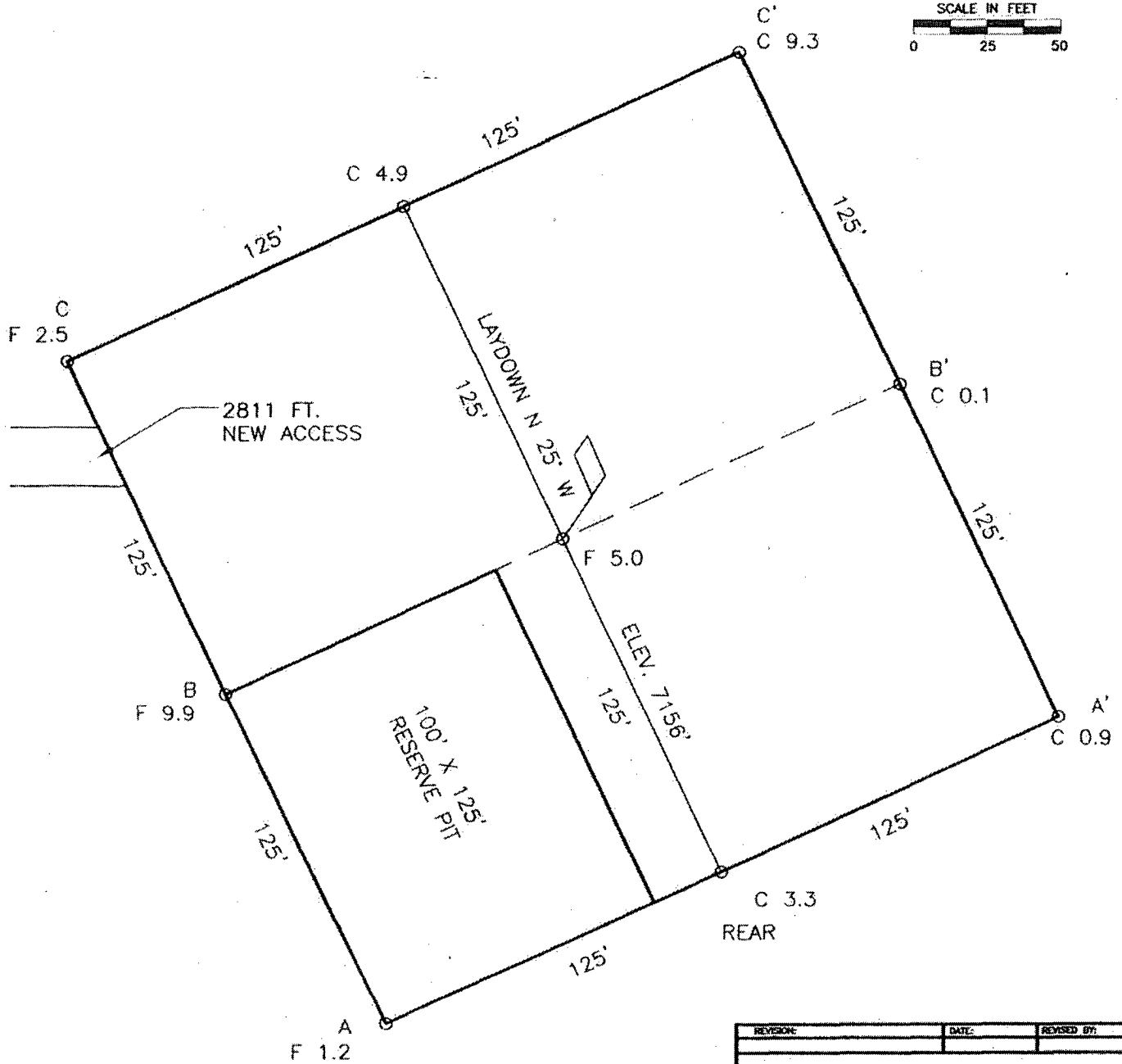
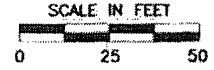
I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .
 Date: 04/14/05

Printed Name/Title Kathy L. Schneebeck / Permit Agent for Black Hills Gas Resources, Inc. Signature Kathy L. Schneebeck
 Our certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.


Approval: DEPUTY OIL & GAS INSPECTOR, D901. #
 Printed Name/Title Signature Date: SEP 06 2005

WELL PAD DIAGRAM

COMPANY: BLACK HILLS GAS RESOURCES
 LEASE: JICARILLA 29-02-29 #43
 FOOTAGE: 745 FSL, 2190 FEL
 SEC.: 29, TWN: 29-N, RNG: 2-W, NMPM
 ELEVATION: 7141'



NOTE:
 DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR
 UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO
 ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO
 EXCAVATION OR CONSTRUCTION.

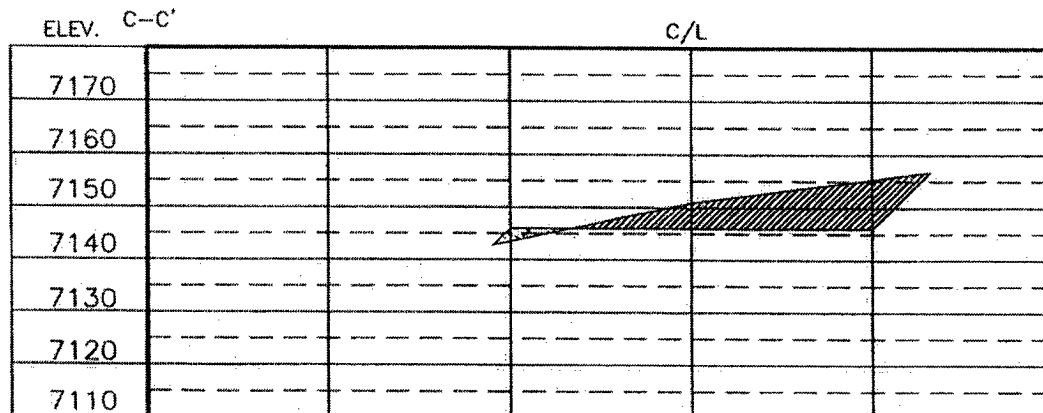
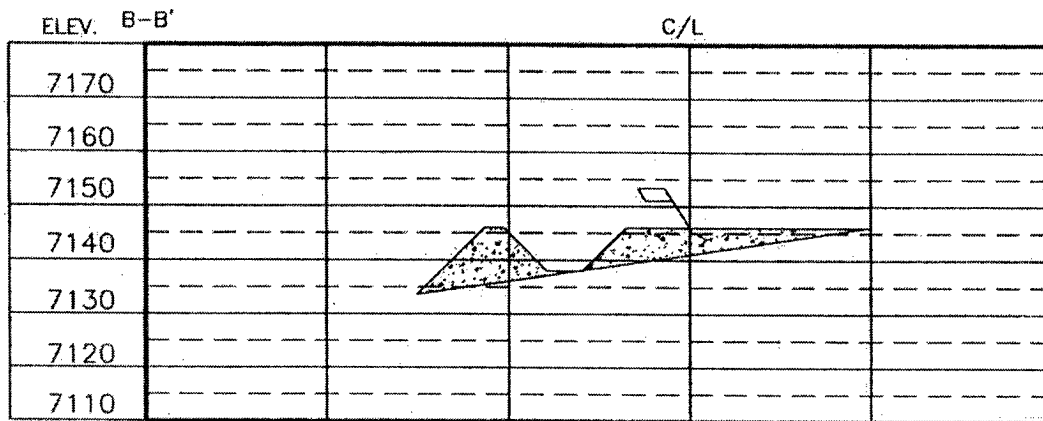
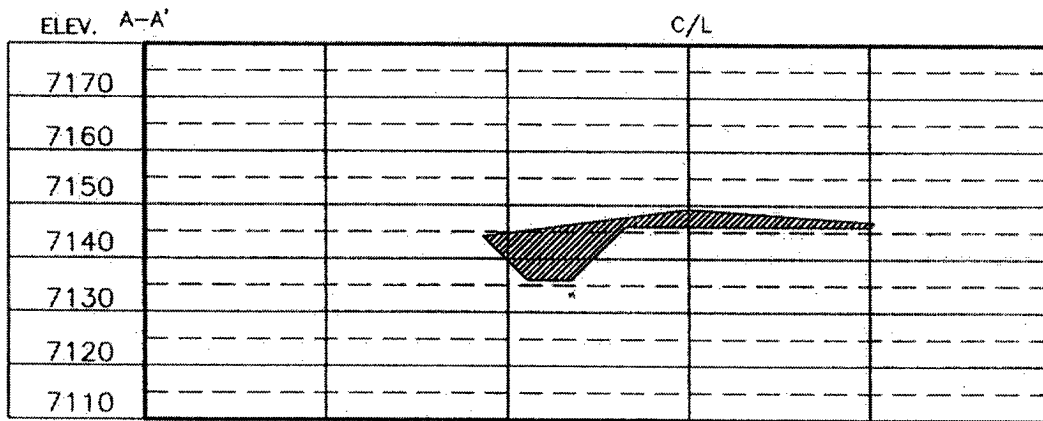
REVISION:	DATE:	REVISED BY:
 Daggett Enterprises, Inc. Surveying and Oil Field Services P. O. Box 15068 • Farmington, NM 87401 Phone (505) 326-1772 • Fax (505) 326-6019 NEW MEXICO L.S. 14831		
DRAWN BY: B.L.	CADFILE: MN351PL8	
FORM: MN351	DATE: 10/28/04	


WELL PAD CROSS-SECTIONAL DIAGRAM

COMPANY: BLACK HILLS GAS RESOURCES
 LEASE: JICARILLA 29-02-29 #43
 FOOTAGE: 745 FSL, 2190 FEL
 SEC.: 29, TWN: 29-N, RNG: 2-W, NMPM
 ELEVATION: 7141'

NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO EXCAVATION OR CONSTRUCTION.



REF. DWG. MN351PLB WELL PAD DIAGRAM REVISIONS DATE REVISION BY	DATE REVISION BY
Daggett Enterprises, Inc. Surveying and Oil Field Services P. O. Box 15088 • Farmington, NM 87401 Phone (505) 328-1772 • Fax (505) 328-6019 NEW MEXICO L.S. 14831 CARROLL MN351CFB	
	
DRAWN BY: B.L. ROYAL: MN351	DATE: 10/28/04

Black Hills Gas Resources, Inc.
Jicarilla 29-02-29 43
 745' FSL 2,190' FEL (SW/4 SE/4)
 Sec. 29 T29N R2W
 Rio Arriba County, New Mexico
 Lease: MDA 701-98-0013, Tract 2

DRILLING PROGRAM

This Application for Permit to Drill (APD) was initiated under the NOS process as stated in Onshore Order No. 1 and supporting Bureau of Land Management (BLM) documents. This NOS process included an onsite meeting, which was held on November 4, 2004, as determined by BLM, Bureau of Indian Affairs (BIA) and Jicarilla Oil and Gas Administration (JOGA), and at which time the specific concerns of Black Hills Gas Resources, Inc. (Black Hills), BLM, BIA and JOGA were discussed.

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,141'

ESTIMATED FORMATION TOPS - (Water, oil, gas and/or other mineral-bearing formations)

San Jose	Surface	Sandstone, shales & siltstones
Nacimiento	2,074'	Sandstone, shales & siltstones
Ojo Alamo	3,122'	Sandstone, shales & siltstones
Kirkland	3,332'	Sandstone, shales & siltstones
Fruitland Coal	3,423'	Sandstone, shales & siltstones
Pictured Cliffs	3,494'	Sandstone, shales & siltstones
Lewis	3,606'	Sandstone, shales & siltstones
TOTAL DEPTH	4,000'	

Estimated depths of anticipated fresh water, oil, or gas:

Tertiary

San Jose	surface	Gas
Nacimiento	2,074'	Gas
Ojo Alamo	3,122'	Gas
Fruitland Coal	3,423'	Gas
Pictured Cliffs	3,429'	Gas

CASING PROGRAM

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0' – 250'	12-1/4"	8-5/8"	J-55 24# ST&C New	To surface (±175 sxs Class B)
0' – T.D.	7-7/8"	5-1/2"	J-55 15.5# LT&C New	TD to surface (±630 sxs lite or 65:35 poz and ±270 sxs 50:50 poz)*

* Actual cement volume to be determined by caliper log.

Yields: Class B yield = 1.18 ft³/sx
 65:35 Poz yield = 1.62 ft³/sx
 50:50 Poz yield = 1.26 ft³/sx

All fresh water and prospectively valuable minerals encountered during drilling, will be recorded by depth and protected.

PRESSURE CONTROL

BOPs and choke manifold will be installed and pressure tested before drilling out under surface casing (subsequent pressure test will be performed whenever pressure seals are broken), and then will be checked daily as to mechanical operating condition. BOP's will be pressure tested at least once every 30 days. Ram type preventors and related pressure control equipment will be pressure tested to 1,000 psi. Annular type preventor will be pressure tested to 50% of the rated working pressure, not to exceed 1,000 psi. All casing strings will be pressure tested to 0.22 psi/ft. or 1,000 psi, whichever is greater, not to exceed 70% of internal yield.

BOP to be either double gate rams or an annular preventor as per Onshore Order No. 2.

Statement on Accumulator System and Location of Hydraulic Controls

The drilling rig has not yet been selected for this well. Selection will take place after approval of this application. Manual and/or hydraulic controls will be in compliance with Onshore Order No. 2 for 2M systems.

A remote accumulator will be used. Pressures, capacities, location of remote hydraulic and manual controls will be identified at the time of the BLM supervised BOP test.

MUD PROGRAM

0' - 250' Fresh water – M.W. 8.5 ppg, Vis 30-33
 250' - TD Fresh water - Low solids non-dispersed
 M.W. 8.5 – 9.2 ppg
 Vis – 28 – 50 sec
 W.L. 15cc or less

Sufficient mud materials to maintain mud properties, control lost circulation and to contain “kick” will be available at wellsite.

AUXILIARY EQUIPMENT

- A) A Kelly cock will be kept in the drill string at all times
- B) Inside BOP or stab-in valve (available on rig floor)
- C) Mud monitoring will be visually observed

LOGGING, CORING, TESTING PROGRAM

- A) Logging: DIL- CNL-FDC-GR - TD - BSC (GR to surface)
Sonic (BSC to TD)
- B) Coring: None
- C) Testing: Possible DST – None anticipated. Drill stem tests may be run on shows of interest

ABNORMAL CONDITIONS

- A) Pressures: No abnormal conditions are anticipated
Bottom hole pressure gradient – 0.31 psi/ft
- B) Temperatures: No abnormal conditions are anticipated
- C) H₂S: None anticipated
- D) Estimated bottomhole pressure: 1,240 psi

ANTICIPATED START DATE

May 19, 2005

COMPLETION

The location pad will be of sufficient size to accommodate all completion activities and equipment. A string of 2-3/8" J-55 4.7#/ft tubing will be run for a flowing string. A Sundry Notice will be submitted with a revised completion program if warranted.

Jicarilla 29-02-29 43
 745' FSL 2,190' FEL (SW /4 SE /4)
 Sec. 29 T 29N R 2W
 Rio Arriba County, New Mexico
 MDA 701-98-0013, Tract 2

SURFACE CASING AND CENTRALIZER DESIGN

Proposed Total Depth: 4,000 '
 Proposed Depth of Surface Casing: 250 '
 Estimated Pressure Gradient: 0.31 psi/ft
 Bottom Hole Pressure at 4,000 '
 0.31 psi/ft x 4,000 ' = 1,240 psi
 Hydrostatic Head of gas/oil mud: 0.22 psi/ft
 0.22 psi/ft x 4,000 ' = 880 psi

Maximum Design Surface Pressure

Bottom Hole Pressure - Hydrostatic Head =
 (0.31 psi/ft x 4,000 ') - (0.22 psi/ft x 4,000 ') =
 1,240 psi - 880 psi = 360 psi

Casing Strengths 8-5/8" J-55 24# ST&C

Wt.	Tension (lbs)	Burst (psi)	Collapse (psi)
24 #	244,000	2,950	1,370
32 #	372,000	3,930	2,530

Safety Factors

Tension (Dry): 1.8 Burst: 1.0 Collapse: 1.125
 Tension (Dry): 24 # / ft x 250 ' = 6,000 #
 Safety Factor = $\frac{244,000}{6,000} = 40.67$ ok
 Burst: Safety Factor = $\frac{2,950 \text{ psi}}{360 \text{ psi}} = 8.19$ ok
 Collapse: Hydrostatic = 0.052 x 9.0 ppg x 250 ' = 117 psi
 Safety Factor = $\frac{1,370 \text{ psi}}{117 \text{ psi}} = 11.71$ ok

Use 250 ' 8-5/8" J-55 24# ST&C

Use 2,000 psi minimum casinghead and BOP's

Centralizers

5 Total
 1 near surface at 40'
 2 -1 each at middle of bottom joint, second joint
 2 -1 each at every other joint ±40' spacing
 Total centralized ± 200 ' (50 ' - 250 ')

Note that field experience indicates that additional centralizers greatly increase the chance of "sticking" the surface casing prior to reaching surface casing total depth.

2-M SYSTEM

Black Hills Gas Resources, Inc.

ANNULAR PREVENTOR MAY BE SUBSTITUTED FOR DOUBLE GATE PREVENTORS
BOP PRESSURE TEST TO 1,000 PSI

